

Appendix C:

U DISTRICT URBAN DESIGN

Displacement Report



Executive Summary

- ▶ In a growing city like Seattle, the primary cause of residential displacement is a housing shortage. When the number of people seeking housing exceeds the number of homes available, housing of all types gets more expensive as wealthier residents bid up the price of housing, and property owners have an incentive to target higher-income households.
- ▶ From 2010 to 2015, the number of jobs in Seattle increased almost twice as fast as the number of homes. During that same period of time, average rent for a one-bedroom apartment increased 35 percent.
- ▶ Displacement is already occurring in the University District (U District) with or without zoning changes. Direct displacement can occur from specific events, like an eviction to allow repairs, rehabilitation, or demolition. Economic displacement occurs over time as housing scarcity causes housing costs to rise.
- ▶ Displacement tends to have the most pronounced and acute effect on marginalized populations: low-income people, people of color, English language learners, and people with disabilities.
- ▶ Our analysis finds that the proposed zoning changes will reduce displacement in the U District compared to existing zoning by increasing both market-rate and affordable housing options and by concentrating growth on fewer redevelopable sites.
- ▶ The U District Environmental Impact Statement (EIS) found that with or without zoning changes, 40-60 homes will be demolished over the next 20 years. These numbers reflect assumptions about growth and likely development sites. Under a more aggressive set of assumptions, it's possible, but unlikely, that up to 275 homes could be demolished.
- ▶ Additional height and density beyond current zoning in the core of the U District would relieve pressure on existing housing by expanding housing opportunity overall. When housing is scarce, the pressure on and need for subsidized housing increase.
- ▶ Outside of single-family zones, more than 17 new homes have been built for every one home demolished in Seattle (2010-2016).
- ▶ Even as it ages over time, market-rate housing rarely decreases in cost to a level affordable to the lowest-income households. Increasing the supply of rent- and income-restricted housing is critical to meeting this need, particularly in times of substantial growth.
- ▶ Under the proposed Mandatory Housing Affordability (MHA) requirements, new development would directly contribute to affordable housing. The City estimates that growth in the U District would create 620-910 affordable homes over 20 years.
- ▶ Some have advocated for a "one-for-one replacement housing" requirement. While there is not a clear policy path to require this for individual projects, our analysis shows that MHA requirements in the U District will produce substantially more affordable housing than would a "one-for-one" requirement.
- ▶ Along with increasing housing choices and creating new subsidized housing, the City is pursuing further anti-displacement solutions, such as renter protections, preservation of existing affordable housing, and other City- and community-led actions to increase stability and opportunity.

In the next 20 years,
40-275 homes
will be demolished,
with or without zoning changes.
Many of these have low rents.



Under **existing** zoning, no more than
20 affordable homes
would be created through incentives.



Under the **proposed** zoning,
~620-910 affordable
homes
will be created through
developer requirements.



 1 key = 20 homes

*In addition, 4,000-5,000 market rate units will be created in the U District.

Introduction

In recent years, Seattle has experienced substantial growth in population, employment, and housing. Between 2010 and 2015, Seattle's population increased by 50,000 people. Development is underway throughout the city, and many neighborhoods are changing. By 2035, Seattle expects to add 120,000 new residents and 70,000 new jobs.

As a designated urban center, the U District is one of the areas planned for the most growth in housing and jobs and the highest level of public investment. About 5,000 new households and 4,800 new jobs will come to the U District in the next 20 years. With Sound Transit's opening of a light rail station at Brooklyn Ave NE and NE 43rd St in 2021, passengers will enjoy an eight-minute trip between the U District and Downtown, fundamentally changing the relationship of the U District to the rest of the city.

In anticipation of this growth, City planners have worked with the U District community since 2011 to identify pri-

orities that land use and urban design requirements can address. After five years of inclusive planning, in May 2016 the Seattle Office of Planning and Community Development (OPCD) released a [proposal](#) for zoning changes and new development standards that will shape how the neighborhood grows. The proposal reflects years of community process with residents, business owners, the University of Washington, social service providers, and faith communities. Guiding documents and studies from that process include the [U District Urban Design Framework](#) and the [Environmental Impact Statement \(EIS\)](#).

A prominent theme throughout this planning process has been concern about the affordability of housing in the U District and the potential displacement of current residents. Several U District planning studies have explored how growth and land use changes in the neighborhood could affect this issue. The purpose of this document is to gather and summarize our findings about displacement into a single report for the U District.

What is displacement?

Displacement is the relocation of residents, businesses, or institutions from an area due to the burdens placed on them by the rising cost of housing or commercial space. Displacement occurs in two ways. **Direct displacement** is precipitated by specific events that result in a tenant moving out, such as the expiration of covenants on rent- or income-restricted housing; eviction to allow building repairs, rehabilitation, or demolition; or a large, sudden rent increase. **Economic displacement** occurs gradually over time as people, businesses, and institutions can no longer afford the rising costs of rent or property taxes. Displacement can also be reinforcing, as the departure of important business establishments, cultural anchors, and institutions from a neighborhood may reduce the reasons that existing community members have to stay, and business and institutions that serve specific communities may experience dwindling revenues or membership as those communities move. This is sometimes described as a form of cultural displacement.

Displacement tends to have the most pronounced and acute effect on marginalized populations: low-income people, people of color, English language learners, and people with disabilities. Typically, these groups are disproportionately burdened by all forms of displacement. See the City's [Growth & Equity Analysis](#) for a broader discussion of these equity issues.

Many people are interested in the relationship between new development and displacement. Most of the concern focuses on potential displacement of residents in the U District, but people worry about displacement of long-time neighborhood businesses as well. These are important, complex issues to address because new development can have both positive and negative effects on the amount of displacement that occurs. This report focuses primarily on the causes of residential displacement and our analysis of the likely production and demolition of housing in the U District.

In a region experiencing population and economic growth, the primary cause of residential displacement is a housing shortage.¹ When the number of people seeking housing exceeds the amount of housing available, housing gets more expensive across the entire market. Even during the current boom in apartment construction, employment growth in Seattle has outpaced housing growth. From 2010 to 2015, the number of jobs in Seattle increased almost twice as fast as the number of housing units.² During that same period of time, average rent for a one-bedroom apartment increased 35 percent.³ When more people are competing for housing, property owners are able to capture higher rents, leading to economic displacement. The same forces increase the prices of homes for sale, further straining the rents by keeping would-be homeowners in the rental market.

Housing scarcity also spurs direct displacement. A tight housing market encourages property owners to rehabilitate lower-cost housing to target wealthier households or demolish existing buildings for redevelopment. This can further strain housing affordability, as building rehabilitation and demolition for new construction can directly eliminate lower-cost housing and force existing tenants out of their homes.

This illustrates the nuanced relationship of growth and affordability: Building more housing is critical to accommodating new residents in a growing city and minimizing rent increases. But a new building can result in the loss of some lower-cost housing even while it increases housing choices overall.

As the number of people who want to live in Seattle increases, several factors contribute to pressure on our housing stock:

- Land use rules limit how much housing can be built. In areas where many people want to live,

this increases the cost of the housing available there.

- Some households do not earn enough income to afford even the cheapest market-rate housing and instead seek affordable housing that relies on various forms of public subsidy. The need for affordable housing far exceeds the amount of subsidy and the number of affordable homes available.
- While the number of people looking for housing in a given city can change quickly for various reasons (including growth in the local economy, the popularity of a certain neighborhood, or the unaffordability of homeownership), it can take several years for new development to respond due to the long process of financing, designing, permitting, and constructing new housing.
- In Seattle and across the United States, more young people are choosing to live in cities rather than suburbs, and many baby boomers are downsizing and moving into central cities. Together, these demographic shifts mean more people are looking for housing in urban areas.

Zoning plays a role in this process. Zoning can influence displacement by affecting the amount, type, and location of development that occurs in a neighborhood and citywide. In general, more zoning capacity encourages the development of larger buildings; new residential buildings increase the supply of housing and sometimes result in demolition of existing housing. Lower zoning capacity discourages or prevents development of new buildings, thereby limiting supply and encouraging rehabilitation of existing buildings instead. Rehabilitation of residential buildings generally results in more expensive homes without an increase in the overall supply of housing.

For these reasons, the risk of displacement is not necessarily lower where development potential is limited. Even in an area where current zoning would not allow development of larger buildings, it is common to see small houses rehabilitated, expanded, or replaced with larger houses available only to people with higher incomes. Redevelopment in these cases results in higher-cost housing without creating more housing options to meeting our growing need. In fact, for a given level of

1 See [California's High Housing Costs: Causes and Consequences](#) for data on the effects of housing shortages on housing prices.

2 Puget Sound Regional Council (PSRC) Covered Employment Estimates; City of Seattle Permit Data Warehouse.

3 In addition to housing scarcity, other factors contribute to our housing affordability challenges, too. For example, changes in wages affect the burden that housing costs place on people, and high land costs and construction costs influence the price of new housing.

growth, increasing zoning capacity allows more housing to be constructed on each parcel, reducing the amount of demolition necessary.

Other factors influence displacement, too, such as the presence of affordable housing. Under Mandatory Housing Affordability (MHA), new development would be required to contribute toward affordable housing in areas where the City has increased development ca-

capacity. This would expand the overall supply of housing while also creating housing reserved for people earning less than the 60 percent of the area median income. As our population grows, the highest-income households will always be able to find housing, and the lowest-income households are less likely to be able to compete for scarce housing. Expanding both market-rate and rent-restricted housing options is critical for reducing displacement pressures.

Summary of analysis to date in the U District

Throughout the U District planning process, several documents have addressed housing and displacement.

- The [U District Existing Conditions report](#) (2012) provided key demographic statistics about the neighborhood, surveyed existing land uses, and characterized the housing market. The U District is younger, has a larger share of people of color, and is composed of a much higher proportion of renters than Seattle overall. In the U District, 90 percent of households rent. Two-thirds of households pay 30 percent or more of their gross household income towards housing costs, well above the Seattle average of 47 percent.
- In 2013, the City hired Heartland, a real estate market consultant, to conduct a [residential market analysis](#) to supplement the U District Urban Design Framework. This analysis primarily focused on the question of whether highrise development is likely to be financially feasible in the U District over the 20-year planning horizon. The analysis also examined the existing demographic composition and housing stock of the U District and identified groups likely to be attracted to living in the U District.
- As part of our update to the Comprehensive Plan, the City did a high-level analysis of how different patterns of growth could affect displacement risk and access to opportunity for marginalized people. This [Growth & Equity Analysis](#) categorized neighborhoods in Seattle according to these findings. The U District emerged as an area with a high risk of displace-

ment and high access to opportunity. For neighborhoods like this, the primary recommendation is "investment in affordable housing and stabilization of small businesses and cultural organizations to allow market-rate development to occur with minimal displacement."⁴

- In January 2015, the City released its [Final Environmental Impact Statement \(FEIS\)](#) analyzing several alternatives for accommodating growth through increased height and development intensity in the U District. The FEIS considered the three alternatives studied in the [Draft Environmental Impact Statement \(DEIS\)](#) and two additional alternatives that assumed a higher growth estimate than considered in the DEIS. In the Population, Employment, Housing section, the FEIS estimated how much affordable housing was likely to be produced through voluntary incentive zoning under each alternative.
- In May 2016, an [Addendum](#) to the Environmental Impact Statement (EIS) for the U District Urban Design alternatives was published to provide additional analysis about the MHA requirements for affordable housing that would apply to multifamily and commercial development after zoning changes in the U District. The Addendum included estimates of affordable housing that could be lost through demolition and produced through MHA.

4 As an example of this approach, planning in the Othello neighborhood from 2008 to 2010 included an application for a HUD Community Challenge Planning Grant. The City won a \$3 million grant to stabilize the Othello business district as a center for multicultural goods and services.

Displacement risk in the U District

Given the complex and nuanced forces that affect housing prices, it's hard to quantify precisely the risk of displacement for a neighborhood area. Together, though, our analyses to date suggests how growth and redevelopment in the U District is likely to affect displacement and housing affordability over the next 20 years.

Existing housing in the U District

More than three-quarters of existing homes in the U District are apartments, with the remainder divided among two- to four-unit buildings, condos and townhomes, and single-family homes. The vast majority of apartment buildings are five stories or less, and 65 percent of apartments were built before 1990. The variety of housing types and the range of housing quality present in the U District make it one of the more affordable urban centers or villages in Seattle. Average rent in the U District is \$1,425 for all rental housing and \$1,865 for housing built since 2006.⁵

Several factors contribute to this affordability: the availability of small apartments, including small efficiency dwelling units (SEDUs); the presence of older multifamily structures; and the existence of subsidized, rent-restricted housing.

The City and its housing partners use various public funding sources and tools to develop affordable housing. This includes the Seattle Housing Levy, federal tax credit programs, and local land use and financial incentives directed at private development. In the U District, these programs have developed and preserved several affordable homes, including:

- **Gossett Place.** 62 homes for homeless individuals and couples, including veterans. The building has an affordability requirement through 2060.

⁵ Dupre + Scott Apartment Advisors, Spring 2016 data for buildings with 20+ units in the University neighborhood area.

Apartment Rental Rates — University area

Unit type	Average size (sq. ft.)	Average rent	Average rent per square foot
Studio	476 sq. ft.	\$1,142/month	\$2.40/sq. ft.
1 Bedroom	665 sq. ft.	\$1,336/month	\$2.01/sq. ft.
2 Bedroom 1 Bath	725 sq. ft.	\$1,392/month	\$1.92/sq. ft.
3 Bedroom 2 Bath	1,214 sq. ft.	\$2,271/month	\$1.87/sq. ft.
All units	675 sq. ft.	\$1,425/month	\$2.11/sq. ft.

Apartment Rental Rates — citywide

Unit type	Average size (sq. ft.)	Average rent	Average rent per square foot
Studio	482 sq. ft.	\$1,249/month	\$2.59/sq. ft.
1 Bedroom	721 sq. ft.	\$1,550/month	\$2.15/sq. ft.
2 Bedroom 1 Bath	851 sq. ft.	\$1,772/month	\$2.08/sq. ft.
3 Bedroom 2 Bath	1,273 sq. ft.	\$2,533/month	\$1.99/sq. ft.
All units	703 sq. ft.	\$1,630/month	\$2.32/sq. ft.

- **Sortun Court Townhouse.** 16 homes, with an affordability requirement through 2038.
- **University District Apartments.** 53 affordable homes currently in development.
- **University Commons Apartments.** 37 affordable homes currently under construction.
- **Multifamily Tax Exemption (MFTE):** 106 affordable homes in new construction multifamily residential developments for up to 12 years in exchange for tax exemption on residential improvements

The Seattle Housing Authority owns and operates two buildings in U District area through its Low Income Public Housing Program:

- **University House.** An apartment building with 101 one-bedroom homes.
- **University West.** An apartment building with 112 one-bedroom homes.

Mandatory Housing Affordability (MHA)

The proposed zoning changes would implement a new affordable housing requirement, ensuring that growth leads directly to the creation of affordable housing. Under MHA, new multifamily and commercial buildings would be required to contribute to affordable hous-

ing. A developer can fulfill this requirement by including affordable housing in the building or by paying into a City fund for affordable housing. In either case, housing generated through MHA are set to be affordable to households earning up to 60 percent of the area median income (\$37,980 for an individual and \$54,180 for a family of four). Ownership housing created through MHA would be affordable to households earning up to 80 percent of the area median income.

OPCD estimates that redevelopment in the U District under the proposed zoning will create 620-910 new affordable homes through MHA over the next 20 years. If growth exceeds our estimates, even more affordable housing production would result. Under existing zoning, expected growth over the same period would create only 20 affordable homes, as redevelopment would not be subject to MHA requirements.

The Office of Housing would use payment generated from MHA to leverage other state and federal funding sources for affordable housing throughout Seattle (see map on next page). Several recent projects in the U District were created through payments from the current voluntary incentive zoning program, including Arbora Court, a 133-unit affordable housing project under development (bottom left). Other projects created through Housing Levy and federal funding include the 48-unit Marion West affordable apartment building that also houses the University District Food Bank (bottom right).



Opening in 2017, Arbora Court (left) is an example of subsidized rent-restricted housing that the Office of Housing has funded in the U District with payments collected through the voluntary incentive zoning program. Other recent affordable housing in the U District funded through Housing Levy and Federal funding includes the Marion West apartments (right). Together, these two buildings will add 181 new affordable homes to the neighborhood.

The 620-910 affordable homes created through MHA due to growth in the U District would offer new housing options for low-income individuals and families. MHA would address displacement pressure by ensuring that growth leads directly to more affordable housing.

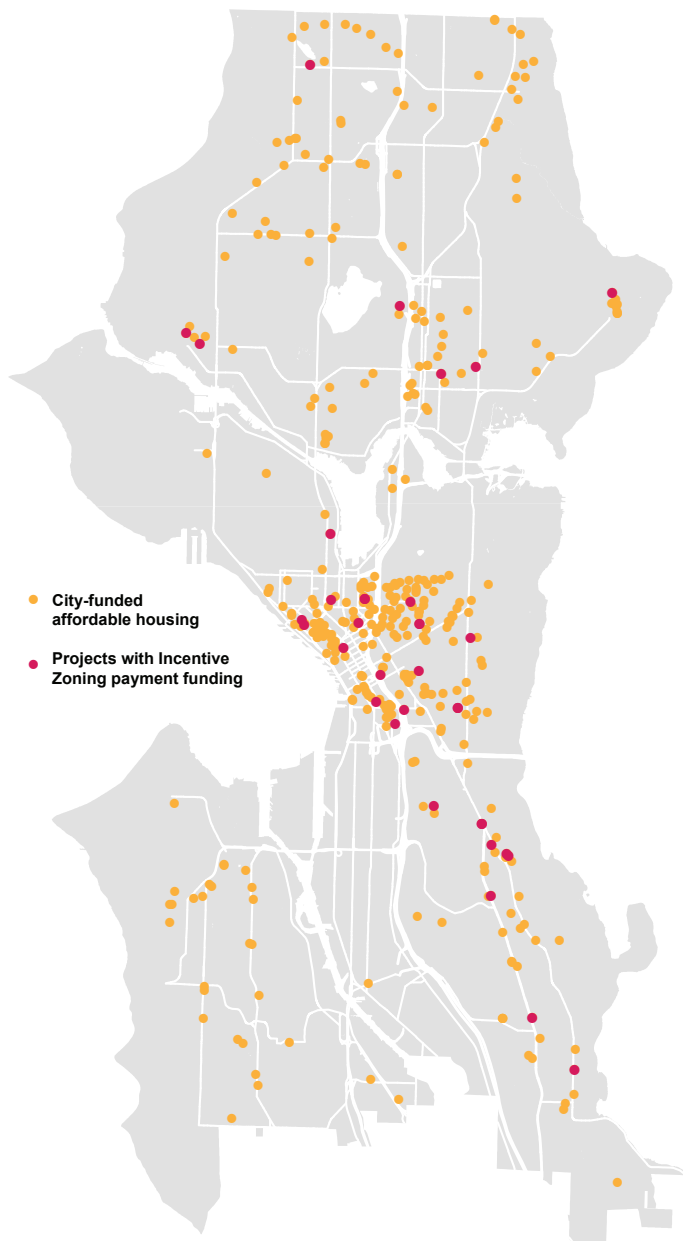
Direct displacement in the U District

Direct displacement can occur when low-cost market-rate housing occupied by low-income residents is demolished or rehabilitated. Some direct displacement is already occurring in the U District as older buildings give way to new ones or are rehabilitated and will continue to occur with or without potential zoning changes.

To estimate how much demolition could occur in the U District over the 20-year planning horizon, the EIS compared the current development on each parcel in the neighborhood with the development that would be allowed under existing and proposed zoning in order to identify the sites most likely to redevelop. If all of these sites redeveloped (a "full buildout"), the number of new homes would far exceed what the City expects to be built over the next 20 years. Therefore, the analysis includes assumptions about *which* sites are most likely to redevelop under each alternative given the amount of growth the City expects in the area. Many of these sites, identified as most likely to redevelop based on the large difference between what is built there today and what could be built under current or future zoning, are surface parking lots or single-story commercial buildings, which have no housing currently, or single-family homes. In total, these redevelopable sites have very few existing residential units.

Under current zoning, OPCD estimated that 3,900 new homes would be created in the planning area under the 20-year planning horizon. By referring to the map of redevelopable sites and the size and type of buildings that existing zoning allows, OPCD determined that redevelopment to accommodate these 3,900 homes under existing zoning would likely result in the demolition of about 60 homes over 20 years. This estimate is based on parcel information from the King County Assessor's Office.

Alternative 2B reflects the densest, most compact growth pattern studied in the EIS. To estimate the potential impacts of this higher density zoning, OPCD made the conservative assumption that more zoning capacity could in fact result in more housing growth overall in the U District. Under Alternative 2B, accommodating 5,000 new homes would result in the demolition of about 40 homes over 20 years, again based on Assessor's data about the sites most likely to redevelop. OPCD thus concluded that between 40 and 60 homes are likely to be demolished in the next 20 years.



For more than three decades, the Office of Housing has built affordable housing in neighborhoods throughout Seattle, including high-cost areas.

It may be surprising that more housing construction overall could result in fewer demolished homes. However, Alternative 2B allows taller buildings, which could accommodate 5,000 new homes on less land area than building 3,900 under current zoning.

A community-based organization recently authored a report concluding that the proposed zoning changes in the U District would cause displacement of 1,500 existing homes, but without explaining the relationship between zoning changes and displacement. Specifically, the report has several critical flaws. First, to reach the

number of 1,500 homes, the report combines households experiencing direct and economic displacement, ignoring the fact that rents are increasing in all buildings in the U District, with or without zoning changes. This greatly exaggerates the potential displacement that could occur as a result of the proposed zoning changes. Second, this number does not reflect a defined period of time. Obviously, over an indefinite time period, all housing becomes susceptible to redevelopment. Third, this number derives from a speculative survey of buildings that appear to be more than 15 years old, incorrectly inferring that all of their units are affordable with no



This shows redevelopment under existing zoning. 3,900 units, spread across the planning area, would result in the demolition of about 60 homes.



Alternative 2B from the EIS is the densest, most compact growth pattern. 5,000 new units would result in demolition of about 40 homes.

data on actual rents, conditions, or tenants' incomes. Together, this means 1,500 homes is a very approximate number of homes in the U District that are more than 15 years old that may *someday* experience redevelopment or rent increases. Critically, the report provides no evidence of how zoning changes would affect that outcome positively or negatively.

In fact, recent development statistics suggest that, even under current zoning, development in the U District results in a relatively low rate of demolition. From 2010 through July 2016, the U District gained more than 14 times as many homes as were demolished. Furthermore, because the ratio of new homes to demolished homes increases in higher-density zones, the proposed zoning changes would tend to allow more new housing for the same number of demolished homes, compared to current zoning.

Not all demolitions result in the direct displacement of low-income households. The demolition estimates in the EIS reflect *all* demolitions, not just demolition of low-cost housing. But because buildings with less profitable housing are often the first to redevelop, it's reasonable to assume that many of the 40-60 units likely to be demolished based on expected growth in the U District are relatively low-cost market-rate rental homes. Many of the people living in these homes probably cannot afford to pay more in rent, but some higher-income households may be "downrenting," or choosing to pay less of their income towards rent, and therefore are more capable of relocating. Together, this suggests that many, but perhaps not all, of the 40-60 units demolished would eliminate low-cost housing occupied by low-income people. However, even if not demolished, these low-cost market-rate homes are vulnerable to changes that could displace people. At any time, under current or future

zoning, a property owner might suddenly increase the rent. A property owner might also choose to rehabilitate his or her building to target wealthier households, effectively displacing current tenants without any increase in the number of housing options overall and with no contribution to affordable housing through MHA.

While the EIS estimated demolitions by identifying specific redevelopable parcels and quantifying their existing housing (zero, for parking lots and commercial buildings), it's possible that other sites could redevelop earlier for any number of reasons. This could affect the number of demolitions that occur as the U District grows. As a conservative upper bound, the "full build-out" scenario wherein construction occurs on all redevelopable parcels to the full capacity of the proposed rezone would result in more than 9,800 new homes and the demolition of 275 homes — a ratio of roughly 35 to one. These numbers far exceed the amount of housing growth expected in the U District in the next 20 years. Yet, given the empirical data shown above, this demolition estimate is plausible, since the "full buildout" scenario envisions growth in denser highrise buildings that, all else equal, necessitate fewer demolitions of existing structures. And the same caveats apply: most demolished units would be relatively low-cost housing, although some could be occupied by wealthier "downrenting" households. Full buildout would also involve redevelopment of owner-occupied single-family homes, which results not in displacement but in a large economic profit from the sale of the property for its owner.

Some people living in housing that is demolished would have access to [tenant relocation assistance](#). The program covers low-income households earning up to 50 percent of the area median income who have to move due to demolition or renovation. However, relocation

Residential construction and demolitions, 2010-2016

Area	New units	Demolished units	Ratio
University Community Urban Center	1,795	124	14.5 to 1
Seattle all zones	33,725	2,609*	12.9 to 1
Seattle excluding single-family zones	31,415	1,787*	17.6 to 1
Seattle Downtown and Highrise zones	4,947	161*	30.7 to 1

* Demolition data excludes the 272 units removed when the McGuire apartment building was demolished due to faulty construction.

assistance eases, but does not fully mitigate, the challenge that low-income households face when forced to move.

Finally, it is worth noting other implications of redeveloping existing housing. Much of the low-cost market-rate housing in the U District is very low quality. Due to their age and condition, some buildings may not be safe and may require substantial investment to maintain. In addition to meeting current life-safety codes, newer buildings are also subject to much stricter energy-efficiency standards than applied to previous generations of construction, meaning that redevelopment of our housing can lead to better environmental outcomes over time.

The proposed zoning changes would reduce direct displacement in the U District compared with existing zoning. Under the proposal, expected growth would result in fewer demolished homes, even if the proposal leads to a larger amount of growth than otherwise expected, because higher-density zoning allows more development for a given land area. Through MHA requirements, the proposal would also leverage growth to create affordable housing, addressing displacement by increasing housing options for low-income people.

Economic displacement in the U District

The previous section noted that, zoning changes aside, some direct displacement is already occurring in the U District. The same is true for economic displacement. Currently, as our housing shortage pushes prices upward, some people relocate to areas where housing is cheaper.

Estimating how redevelopment in the U District under different zoning scenarios could affect economic displacement involves several considerations:

- Redevelopment is currently underway in the U District and will continue with or without zoning changes. Current zoning in the U District already allows for substantial residential and commercial growth. Absent MHA requirements, new multifamily and commercial development in the U District will not directly contribute to affordable housing except in very limited circumstances.
- As more people look for housing in Seattle, pressure on existing housing increases. Economic displacement occurs when rising rents cause people to relocate, but it is difficult to

Average rent in the University area (\$ per net rentable square foot)

Year built	March 2011	March 2016	Change in average rent
all years	\$1,018 (\$1.61)	\$1,425 (\$2.11)	40.0%
2008-present	\$1,342 (\$2.10)	\$1,859 (\$2.73)	38.5%
before 2000	\$932 (\$1.50)	\$1,222 (\$1.81)	31.1%
before 1980	\$826 (\$1.55)	\$1,101 (\$2.02)	33.3%

Nominal median household income for Seattle

2010	2014	Change in median household income
\$63,088	\$71,273	13.0%

quantify since most neighborhoods naturally experience in- and out-migration, and the City doesn't have good information about why and to where people move. However, data show that rents are increasing in the U District, not only in new buildings but in existing older housing also, as unmet demand for housing puts pressure on the entire market.

- The City has or is pursuing strategies to stabilize communities and expand opportunity in addition to Mandatory Housing Affordability. For example, the Office of Housing's preservation program involves acquisition and financing of existing affordable multifamily housing. The City is also pursuing a property tax exemption that could motivate private landlords to agree to rent and income restrictions that maintain affordability in existing housing at risk of rent increases.
- Finally, expanding housing choices near the future U District light rail station can provide additional benefits to low-income households by reducing transportation costs through lower-cost transit options — even if housing costs continue to consume a large share of household income.

Compared to the No Action scenario, additional development capacity would allow more housing to be built, easing one of the primary factors (a shortage of housing) that contributes to upward pressure on rents. Adding height and density in the core of the U District would increase housing choices for existing and future residents.

It may seem counterintuitive that market-rate development can ease displacement pressures or help lower-income households, since the high cost of urban land, the cost of construction, and other factors mean that most new market-rate housing targets higher-income households. However, as households compete for housing, the highest-income ones tend to succeed in finding a home to rent or buy. Though expensive, new housing absorbs demand from wealthier households that otherwise bid up the price of housing elsewhere. The proposed zoning would allow more places for people to live, thereby putting downward pressure on housing prices overall.

Many of the existing homes that are affordable in the U District are rented at market rates. They are affordable to lower-income households because their size, appearance, or other characteristics cause their rents to be relatively low — but very little of this housing was originally built for low-income households. When housing opportunity is limited, more people compete for a finite number of homes, pushing prices upward and inhibiting the process where housing becomes more affordable over time as it ages.⁶ In turn, higher housing prices encourage middle-income households to stay where they are and incentivize property owners to rehabilitate or redevelop existing buildings in order to capture higher rents. Over time, creating more new housing allows the price of older market-rate homes to decline. But this is a gradual process: households transition in and out of housing over years, and homes in new buildings take a long time to materialize even when our city is growing quickly. Furthermore, the cost of market-rate housing rarely decreases to a level affordable to the lowest-income households before that housing becomes profitable to rehabilitate or redevelop.

A recent [report](#) from the California Legislative Analyst's Office found evidence that market-rate housing construction slows rent increases and reduces displacement pressures. In low-income neighborhoods, displacement rates were considerably lower in the areas that had the most market-rate housing construction. Reviewing the same data, researchers at Berkeley's Urban Displacement Project [concurred](#) that market-rate housing reduced pressure on rents and added that construction of subsidized housing had an even greater effect on reducing displacement.

Addressing our housing shortage is critical for minimizing economic displacement. The proposal allows for more housing choices in the U District. Given the high demand for housing in Seattle, building new housing is essential for minimizing increases in the cost of housing. It also would create affordable housing through MHA. Research shows that both market-rate and affordable housing production reduce economic displacement.

⁶ See Heartland's [U District residential market analysis](#) for more discussion on this topic. For evidence of the effects of filtering and a discussion of its viability in different market conditions, see [Rosenthal \(2013\)](#).

Other tools

Mandatory Housing Affordability requirements and zoning for increased housing capacity are two tools that can help minimize the risks of displacement. Other critical anti-displacement strategies that the City is advancing or has advanced include:

- New tenant protection laws to prevent "economic eviction" and ensure due process for tenants facing eviction.
- Renew and expand the Seattle Housing Levy - Seattleites approved a new expanded levy in August 2016.
- Renew the Multifamily Tax Exemption (MFTE) Program - The MFTE program was renewed by the City Council in November 2015. The program was expanded to all multifamily-zoned areas and also provides increased incentives for providing affordable units with 2 or more bedrooms.
- Create a Preservation Property Tax Exemption Program - The City and other affordable housing advocates support the passage state legislation that would create a local option for a 15-year tax exemption for property owners who agree to set aside 25 percent of their units for low-income tenants. This legislation did not pass in 2016, but advocates may try again next year.
- Create a Voluntary Employers Fund - The City is leading an effort to establish a program where the City will partner with local employers and major institutions to contribute to a City fund that builds and preserves affordable housing.

Conclusion

With or without zoning changes in the U District, some displacement is inevitable. In a largely developed city like Seattle, redevelopment sometimes involves demolition of existing buildings, some of which contains low-cost market-rate housing occupied by low-income people. And in a growing city like Seattle, high demand for housing drives the cost of housing upward across the entire market. When people compete for scarce housing, higher-income households generally succeed in finding a home to rent or buy, and the lowest-income households disproportionately face the risk of displacement.

Our analysis finds that the proposed zoning changes will reduce displacement in the U District compared to existing zoning.

- By allowing taller, higher-density development in the core of the neighborhood near light rail, the proposal would accommodate more growth on fewer redevelopable sites, reducing demolitions compared to existing zoning.
- By increasing the total number of housing choices as the U District continues to grow, the proposal would help minimize the rent increases that cause economic displacement.
- By implementing MHA requirements, the proposal would ensure that new development contributes directly to affordable housing, expanding housing options for low-income people who may be facing displacement pressures.

Together, these findings suggest that our approach to growth in the U District will expand housing opportunity, create affordability through development, and minimize displacement.

U District Reports

U District Existing Conditions report (2012):

http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/dpdd016671.pdf

U District Residential Market Analysis:

http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/dpds022258.pdf

Growth & Equity Analysis:

http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/p2427615.pdf

Draft Environmental Impact Statement (DEIS):

http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/p2142923.pdf

Final Environmental Impact Statement (FEIS):

http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/p2225241.pdf

Addendum to the Environmental Impact Statement:

http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/p2447905.pdf